

## Iowa Tax

The quarterly newsletter of the Iowa Department of Revenue and Finance

## Sales tax return will be revised to eliminate common errors

When you receive your next quarterly sales tax return (in March 1997) take a close look at it. Although it will look familiar, it is different from previous returns. We have attempted - and will continue to attempt - to make the return easier for taxpayers to use. This should result in fewer errors for our processing team to correct.

**Local option sales tax**

Because of a high error rate in reporting local option sales tax, our department changed the local option sales tax form on the back of the sales tax return.

On the "old" form, filers often incorrectly listed counties more than once, each city separately, or individual sales. These returns had to be manually reviewed. Often, additional correspondence was required.

The new form lists each county (and its number) in which local option sales tax applies. Filers write in the total taxable sales for each county but no longer calculate the local option tax for each county. Filers then total the taxable sales for all counties and calculate the 1 percent local option tax. That amount is placed on the front of the return.

The county list may change from quarter to quarter if additional counties adopt the local option sales tax.

**"Goods consumed"**

This line of the return is confusing to filers. We added an explanation of goods consumed which includes examples. Please take time to read these instructions.

**Exemptions vs. deductions**

We changed the name of the deductions line to exemptions, because we found that many filers confuse this with income tax deductions. The list of exemptions is more specific; the instructions were rewritten.

Note that you no longer send the exemptions list with your tax return. However, keep the list with your records in case our agency has questions.

**Overpayments**

The return has been modified to allow filers who overpay their sales/use taxes to ask for a credit or a refund. This applies only when deposits are greater than the taxes owed. Filers should write "refund" or "credit" on line 13.

If filers write "refund," we will issue a refund if it is due. For filers who write "credit" on line 13, the credit will carry forward to the next tax period.

This option applies only to overpayment of tax. All other refund requests must be made on the IA 843 (claim for refund) as in the past.



## DEPARTMENT SERVICES

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### ONLINE

#### *Internet Address (URL)*

[http://www.state.ia.us/  
government/drf](http://www.state.ia.us/government/drf)

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#### *E-mail*

[iadrf@iadrf.e-mail.com](mailto:iadrf@iadrf.e-mail.com)

### BY TELEPHONE

#### *Taxpayer Services*

from Des Moines  
or out of state,

(515) 281-3114

from elsewhere in Iowa or  
Rock Island-Moline or Omaha

1-800-367-3388

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#### *To Order Iowa Tax Forms*

(515) 281-7239 or  
1-800-532-1531

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#### *"Where's My Refund?"*

(515) 281-4966 or  
1-800-572-3944

### BY FAX

#### *Receive Iowa Tax Forms by Fax*

1-800-572-3943

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#### *Department Fax Number*

(515) 242-6040

### BY MODEM

#### *ERIN (electronic bulletin board)*

(515) 281-3248 or  
1-800-972-2028

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## Five department field offices to reduce services effective January 1

**F**ive Iowa Department of Revenue and Finance field offices will close their doors to the public beginning January 1. Although the offices will remain open for tax collection purposes, the public will no longer be able to walk in to ask questions or obtain forms. Taxpayers will be admitted by appointment only.

The five offices are located in Fort Dodge, Mason City,

Dubuque, Burlington, and Ottumwa.

Until January 1, walk-in assistance will continue on Mondays only, between 8:30 a.m. and 4 p.m.

Taxpayers in these areas should call the department's toll-free number for assistance: 1-800-367-3388. The department continues to encourage the public to use its automated systems to obtain forms and check on income tax refunds.

## Interest rate set at 10 percent for 1997

**T**he annual interest rate charged by the Iowa Department of Revenue and Finance for delinquent tax payments will be 10 percent in 1997. This is a 1 percent decrease from the 1996 interest rate of 11 percent per year. On a monthly

basis, the 1997 rate will be 0.8 percent compared to 0.9 percent in 1996. Under Iowa law, each fraction of a month is considered an entire month when interest is computed. This rate applies to all delinquent Iowa taxes, including sales/use tax and income tax.

## Local option sales tax imposed

**V**oters in the following 37 jurisdictions have adopted the local option sales tax effective January 1, 1997. The counties and county codes are listed in bold. Page 4 is a complete list of all current local option sales tax jurisdictions.

**Butler (12)** – Allison, Aplington, Aredale, Bristow, Dumont, Greene, New Hartford, Parkersburg

**Cass (15)** – Anita, Cumberland,

Griswold, Lewis, Marne, Massena, Wiota

**Decatur (27)** – Davis, Decatur, Garden Grove, Grand River, Lamoni, Leroy, Pleasanton, Van Wert

**Hancock (41)** – Britt

**Hardin (42)** – Ackley, Owasa, New Providence, Union, Whitten

**Marshall (64)** – Liscomb

**Worth (98)** – Fertile, Grafton, Hanlonton, Joice, Kensett, Manly, Northwood

# Exclusion for employer-provided educational benefits likely to pass

**T**he reinstatement of the exclusion for employer-provided educational benefits will be applicable when the Internal Revenue Code update bill is enacted by the Iowa legislature in 1997. Because it is likely that the IRC update bill will be approved, employers should withhold Iowa income tax on the benefits as if the exclusion will be

adopted. However, if this provision is not adopted, affected taxpayers will have to amend 1996 Iowa returns showing the educational benefits are taxable. If 1995 amended Iowa returns are filed for refund of the Iowa income tax paid on the educational benefits, those returns will be held in abeyance if the returns are received before the IRC update bill is passed.

## Iowa income tax notes for 1996 returns

### Worksheet 41-104

Married taxpayers who have a federal adjusted gross income of \$117,950 or more must use worksheet 41-104 to calculate their Iowa itemized deductions. Married taxpayers filing separately for Federal tax purposes with an AGI of \$58,950 or more must use the worksheet as well.

The worksheet is included in the Iowa long form booklet.

### Alternate Tax Computation

By using the "alternate tax computation" worksheets in their Iowa tax booklets, married couples – and others who file as head of household or surviving widow(er) – with incomes of \$25,000 or less may pay less Iowa income tax. Married taxpayers must use their combined incomes to see if they may use the alternate tax computation.

Single filers *may not* use the alternate tax computation. Some taxpayers will save hundreds of dollars in taxes by using the worksheet to calculate the alternate tax.

### Are you exempt from tax?

Thousands of Iowans are paying Iowa income tax unnecessarily by having the tax automatically deducted from their paychecks. To receive a refund, they must wait until the end of the year and file income tax returns.

Single people (not claimed as dependents on other taxpayers' returns) who know they will make \$9,000 or less per year should obtain a blank Iowa W-4 from their employers and claim exemption from Iowa tax. Married people should do the same if their combined income is \$13,500 or less.

## From the DIRECTOR'S DESK

In the last issue of *Tax News*, I wrote about two technology-related initiatives the department was studying. One was a proposal to produce the 1996 Iowa Package X on CD-ROM. The other involved phasing out our ERIN bulletin board system in favor of the department's site on the Worldwide Web. Both initiatives promise to save money and eliminate duplication in services.



Director Gerald D. Bair

After studying the results of surveys mailed to representative constituent groups, however, we have decided not to pursue either initiative in the current planning cycle. Only about 13 percent of respondents preferred the CD-ROM version of the Package X to the paper version. That fact, combined with other variables involved in putting the project together by the end of the year, led us to determine that the CD-ROM initiative is at least a year from serious consideration.

A sizable subgroup of ERIN users voiced clear objections to the idea of discontinuing that service. The department's website will continue to develop, but ERIN will also remain accessible.

# IOWA LOCAL OPTION SALES TAX

Jurisdiction codes effective for the quarter beginning January 1, 1997

••• All jurisdictions listed below have imposed the local option tax at a rate of 1 percent •••

COUNTY / CODE	JURISDICTIONS	EFFECTIVE	COUNTY / CODE	JURISDICTIONS	EFFECTIVE
ALLAMAKEE / 03	Harpers Ferry, Postville, Waterville	1-1-95	HOWARD / 45	Chester, Cresco, Lime Springs, Protivin	1-1-94
	Waukon	1-1-96		Elma, Unincorporated Area	7-1-94
	Lansing, New Albin	7-1-96		Riceville	1-1-95
BLACK HAWK / 07	Cedar Falls, Elk Run Heights, Evansdale, Hudson, Raymond, Waterloo	4-1-91	IOWA / 48	Ladora, North English, Parnell, Williamsburg	4-1-94
	Dunkerton, Gilbertville, Janesville, La Porte City, Unincorporated Area	10-1-91		Marengo, Millersburg, Victor, Unincorporated Area	4-1-95
				Baldwin, La Motte, Miles, Preston, Sabula, Saint Donatus, Spragueville, Springbrook, Bellevue, Zwingle	4-1-91
BOONE / 08	Berkley, Luther, Pilot Mound	4-1-89	JACKSON / 49	Maquoketa, Monmouth	10-1-94
	Boone	7-1-90		Andrew, Unincorporated Area	1-1-95
	Boxholm, Ogden, Sheldahl, Unincorporated Area	1-1-91		Cascade, Center Junction, Morley, Olin, Onslow, Oxford Junction	4-1-95
	Madrid	7-1-91		Monticello, Wyoming	1-1-96
	Fraser	1-1-92		Fort Madison, Franklin, Keokuk, Montrose	10-1-91
BUCHANAN / 10	Beaver	1-1-95	LEE / 56	St. Paul	1-1-93
	Aurora, Lamont, Stanley	10-1-95		Donnellson, Houghton, West Point, Unincorporated Area	1-1-95
BUENA VISTA / 11	Albert City, Linn Grove, Marathon, Newell, Sioux Rapids, Truesdale,	7-1-91	LINN / 57	Bertram	1-1-86
	Alta, Lakeside, Rembrandt, Storm Lake, Unincorporated Area	10-1-95		Alvord, Doon, George, Inwood, Lester, Little Rock, Rock Rapids, Unincorporated Area	10-1-96
			LYON / 60		
BUTLER / 12	Allison, Aplington, Aredale, Bristow, Dumont, Greene, New Hartford, Parkersburg	1-1-97		Barnes City, Beacon, Fremont, Keomah Village, Leighton, New Sharon, Oskaloosa, Rose Hill, University Park, Unincorporated Area	4-1-95
			MAHASKA / 62		
CASS / 15	Anita, Cumberland, Griswold, Lewis, Marne, Massena, Wiota	1-1-97		Eddyville	10-1-95
			MARSHALL / 64	Liscomb	1-1-97
CERRO GORDO / 17	Clear Lake, Dougherty, Mason City, Meservey, Plymouth, Rock Falls, Rockwell, Swaledale, Thornton, Ventura	7-1-92		Emerson, Henderson, Malvern, Tabor	1-1-96
	Unincorporated Area	1-1-93	MILLS / 65	Carpenter, Mitchell, Orchard, Osage, Riceville, St. Ansgar, Stacyville	1-1-95
				McIntire, Unincorporated Area	7-1-95
CHEROKEE / 18	Aurelia, Cleghorn, Larrabee, Marcus, Meriden, Washta	7-1-96	MONONA / 67	Blencoe, Castana, Mapleton, Moorhead, Onawa, Rodney, Soldier, Turin, Ute, Whiting, Unincorporated Area	7-1-90
	McGregor	1-1-90		Coburg, Elliott, Stanton, Villisca	1-1-96
CLAYTON / 22	Elkader, Garnavillo, Luana, Millville, Marquette, Saint Olaf	4-1-94	MONTGOMERY / 69	Grant	4-1-96
	Elkport, Farmersburg, Garber, Guttenberg, Littleport, Monona, Volga	10-1-94		Atalissa, Conesville, Fruitland, Muscatine, Stockton, Wilton	7-1-94
	Edgewood, North Buena Vista, Strawberry Point, Unincorporated Area	10-1-95	MUSCATINE / 70	Nichols, Unincorporated Area	1-1-95
CLINTON / 23	Andover, Calamus, Camanche, Clinton, Delmar, De Witt, Goose Lake, Grand Mound, Low Moor, Toronto, Welton, Wheatland,	10-1-89		Durant, West Liberty	7-1-95
	Charlotte, Lost Nation, Unincorporated Area	1-1-90	O'BRIEN / 71	Archer, Calumet, Paullina, Primghar, Sanborn, Sheldon, Sutherland, Unincorporated Area	1-1-96
	Davis, Decatur, Garden Grove, Grand River, Lamoni, Leroy, Pleasanton, Van Wert	1-1-97		Blanchard, Braddyville, Coin, College Springs, Essex, Shambaugh, Shenandoah, Yorktown	1-1-96
DELAWARE / 28	Colesburg, Delaware, Delhi, Earlville, Greeley, Manchester, Masonville,	10-1-94	PAGE / 73	Clarinda, Hepburn, Northboro, Unincorporated Area	7-1-96
	Dundee, Dyersville, Hopkinton, Ryan, Unincorporated Area	4-1-95		Polk City	1-1-86
	Edgewood	4-1-96	POLK / 77	Sheldahl	7-1-87
DES MOINES / 29	Burlington, Danville, Middletown, West Burlington	10-1-94		Macedonia, Minden	1-1-89
	Mediapolis, Unincorporated Area	4-1-95	POTTAWATTAMIE / 78	Council Bluffs	4-1-90
	Asbury, Balltown, Centralia, Dubuque,	4-1-88		Avoca, Carson, Carter Lake, Crescent, Hancock, McClelland, Neola, Oakland, Treynor, Underwood, Walnut	1-1-95
DUBUQUE / 31	Holy Cross, Sageville, Zwingle		SCOTT / 82	Unincorporated Area	4-1-95
	Bankston, Bernard, Epworth, Farley, Graf, Peosta, Sherrill, Unincorporated Area	7-1-88		Bettendorf, Blue Grass, Buffalo, Davenport, Dixon, Donahue, Eldridge, LeClaire, Long Grove, Maysville, McCausland, New Liberty, Panorama Park, Princeton, Walcott, Riverdale, Unincorporated Area	1-1-89
	Cascade, Dyersville, Luxemburg, New Vienna, Rickardsville, Worthington	10-1-89	SIOUX / 84	Alton, Boyden, Chatsworth, Granville, Hawarden, Hull, Ireton, Matlock, Maurice, Orange City, Sioux Center, Unincorporated Area	10-1-95
FAYETTE / 33	Arlington, Clermont, Elgin, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate	1-1-95		Hospers, Rock Valley, Sheldon	7-1-96
	Fayette, West Union, Unincorporated Area	7-1-95	STORY / 85	Ames, Huxley	1-1-87
				Cambridge, Collins, Colo, Gilbert, Kelley, McCallsburg, Roland, Sheldahl, Slater, Unincorporated Area	7-1-87
FLOYD / 34	Floyd, Marble Rock, Nora Springs, Rockford, Rudd	10-1-96	WINNESHEK / 96	Nevada, Maxwell, Zearing	1-1-89
				Story City	10-1-90
FRANKLIN / 35	Coulter, Dows, Geneva, Hansell, Latimer, Sheffield	10-1-95	WOODBURY / 97	Decorah	4-1-91
	Hampton, Popejoy, Unincorporated Area	10-1-96		Calmar, Castalia, Fort Atkinson, Jackson Junction, Ossian, Ridgeway, Spillville, Unincorporated Area	7-1-91
FREMONT / 36	Farragut, Hamburg, Imogene, Randolph, Riverton, Shenandoah, Sidney, Tabor, Thurman, Unincorporated Area	1-1-96	WORTH / 98	Bronson, Cushing, Merville, Oto, Salix, Sergeant Bluff, Sioux City, Sloan	1-1-87
				Anthon, Correctionville, Danbury, Hornick, Lawton, Pierson, Smithland, Unincorporated Area	10-1-88
HANCOCK / 41	Corwith, Crystal Lake, Garner, Goodell, Kanawha, Klemme, Woden	1-1-96		Fertile, Grafton, Hanlonton, Joice, Kensett, Manly, Northwood	1-1-97
	Britt	1-1-97			
HARDIN / 42	Alden, Buckeye, Eldora, Hubbard, Iowa Falls, Radcliffe, Steamboat Rock, Unincorporated Area	4-1-96			
	Ackley, New Providence, Owasa, Union, Whitten	1-1-97			
HENRY / 44	Coppock, Hillsboro, Mount Pleasant, Mount Union, New London, Olds, Rome, Salem, Westwood, Winfield	10-1-95			
	Wayland, Unincorporated Area	1-1-96			